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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/818,483	03/27/2001	Ephraim Brian Finkelstein	HGT-201	9569

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EXAMINER	
HARBECK, TIMOTHY M	

ART UNIT	PAPER NUMBER
3692	

DATE MAILED: 10/23/2006

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/818,483	FINKELSTEIN ET AL.	
	Examiner	Art Unit	
	Timothy M. Harbeck	3628	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *24 July 2006*.

2a)☒ This action is **FINAL**. 2b)☐ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-6 and 14-36* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-6 and 14-36* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☐ The drawing(s) filed on _____ is/are: a)☐ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____.
5) ☐ Notice of Informal Patent Application
6) ☐ Other: _____.

DETAILED ACTION

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

> (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

Claims 1-5 are rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman et al (hereinafter Silverman; US PAT 5,924,082) in view of Brown (Claude Brown. "Taxing repos and stock loans." International Tax Review. London: Jun 1996. Vol.7, Iss. 6; pg. 35 2 pgs).

Re claim 1: Silverman discloses a negotiated matching system that "enables users to trade financial instruments and other types of instruments." (column 3, lines 52-53) Silverman's system comprises

- a plurality of remote terminals (column 5, lines 36-37) having a user interface comprising a display (column 4, line 16) and a keyboard (column 12, line 53) and
- a central processor (matching computer) for establishing communications between said trading terminals (column 5, lines 35-48)
- wherein each of said trading terminals presents a hierarchal list (column 10, line 37-40) of trading options and

- wherein a user at a trading terminal can select one of said trading options and communicate directly with a potential counterparty (column 4, lines 55-65).

Silverman does not explicitly disclose wherein the trading options are specifically repurchase agreements. However, repurchase agreements were old and well known in the art at the time of invention as a particular trading instrument and therefore it would have been obvious to anyone of ordinary skill at the time of invention to utilize the Silverman method to facilitate a repurchase agreement. A repurchase agreement is a type of financial instrument. Silverman explicitly discloses that an object of the present invention is to provide "a system which enables users to trade financial and other types of instruments based on objective criteria and subjective criteria which are not standardized and or easily quantifiable (Column 3, lines 51-55)," including "highly specified instruments (Column 13, lines 46)." Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement can therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest. These counterparties can then be placed into communication where concrete details of the financial transaction can be hashed out.

Silverman does not explicitly disclose wherein said central processor storing net party-counterparty exposure information, and indicating to a party a compensating margin transfer for the net party-counterparty exposure based on said net party-counterparty exposure information for a repurchase agreement opportunity and wherein the trading terminals present information related to the net party-counterparty exposure.

Brown provides a teaching showing that it was known at the time of invention to store and indicate net exposure information to counterparties involved in a repurchase agreement. Furthermore Brown teaches the step of a margin transfer to compensate for this exposure (Page 1, Second paragraph). It would have been obvious to a person of ordinary skill in the art to include the teachings of Brown to the disclosure of Silverman as part of the credit evaluation of the counterparties so that a fair and equitable match can be achieved.

Re claim 2: Silverman further discloses a system wherein a user remains anonymous until he communicates with a potential counterparty (column 4, lines 10-12).

Re claim 3-4: Silverman further discloses a system wherein the hierarchal list is filtered according to a user-defined criteria (column 4, lines 52-55). The examiner interprets sorting and filtering to be interchangeable functions, as they are not differentiated in the disclosure.

Re Claim 5: Silverman further discloses a system wherein the central processor (matching computer) transmits information defining counterparty trading tickets upon successful conclusion of negotiation between counterparties (column 7, lines 64-65)

Claims 14-19, 21-28 and 30-35 are rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman, in view of Brown in view of Best (Sarah Best. "European repo to go electronic." International Securities Lending. London: Third Quarter 1998. pg 4).

Re Claim 14: Silverman discloses a exchange method comprising

- Providing a plurality of user terminals (Column 5, lines 36-37), each displaying a list of offers for the trading of financial instruments (Column 4, lines 50-52)
- Receiving from a user terminal a user entry portion for defining potential terms to a transaction (Column 3, lines 56-60)
- Communicating with a potential counterparty, based on an identification of a respective offer through a negotiation communications interface (Column 3, lines 61-64)

Silverman does not explicitly disclose wherein the trading options are specifically repurchase agreements. However, repurchase agreements were old and well known in the art at the time of invention as a particular type of financial trading instrument and therefore it would have been obvious to anyone of ordinary skill at the time of invention to utilize the Silverman method to facilitate a repurchase agreement. Silverman explicitly discloses that an object of the present invention is to provide "a system which enables users to trade financial and other types of instruments based on objective criteria and subjective criteria which are not standardized and or easily quantifiable (Column 3, lines 51-55)." Utilizing the system and method of Silverman, a user seeking to trade a repurchase agreement can therefore enter preliminary terms to the agreement in order to be matched with a counterparty with a similar interest. These counterparties can then be placed into communication where concrete details of the financial transaction can be hashed out.

Silverman does not explicitly disclose wherein said central processor storing net party-counterparty exposure information, and indicating to a party a compensating margin transfer for the net party-counterparty exposure based on said net party-counterparty exposure information for a repurchase agreement opportunity and wherein the trading terminals present information related to the net party-counterparty exposure. Brown provides a teaching showing that it was known at the time of invention to store and indicate net exposure information to counterparties involved in a repurchase agreement. Furthermore Brown teaches the step of a margin transfer to compensate for this exposure (Page 1, Second paragraph). It would have been obvious to a person of ordinary skill in the art to include the teachings of Brown to the disclosure of Silverman as part of the credit evaluation of the counterparties so that a fair and equitable match can be achieved.

Silverman further does not explicitly disclose the step comprising anonymously determining net party-counterparty exposure information at a central location. Best provides a teaching that shows an electronic market for trading repos wherein a central trading system gives users full anonymity. It would have been obvious to a person of ordinary skill in the art at the time of invention to include the teachings of Best to the disclosure of Silverman so that counterparties can utilize the system anonymously and not reveal their trading intentions and strategies to competitors.

Re claim 15-18: Silverman in view of Brown in view of Best discloses the claimed method supra but does not explicitly disclose the step further comprising a method wherein a record is communicated between at least two user terminals

comprising particulars of a proposed transaction. However it was old and well known that there are a number of different variables that factor into simple and complex financial transactions and therefore it would be obvious to anyone of ordinary skill at the time of invention to include to the Silverman method. Silverman calls these particulars "variable parameters," (column 17, lines 15-36) which, for a repurchase agreement would include and amount, a rate, a term and an identification of collateral, margin, maturity range or any other variable that the users which to define. The purpose of the negotiated matching system is to come to terms on these types of parameters because it would be difficult to find a perfect match, based solely on quantifiable aspects.

Re claim 19: Silverman in view of Brown in view of Best and Silverman further comprises a method wherein the record further comprises a free form text field (Column 12, lines 6-13; also claim 34).

Re claim 21: Silverman in view of Brown in view of Best and Silverman further comprises a method wherein a proposed modification of the particulars is extracted from the free form text field (column 12, lines 6-13)

Re Claim 22: Silverman in view of Brown in view of Best discloses the claimed method supra but does not explicitly disclose wherein the rate is a funding rate distinct from an interest rate and a yield rate associated with the collateral. However this knowledge was old and well known in the art and it would have been obvious to anyone of ordinary skill at the time of invention to include this step to the disclosure of Silverman so that each party can fully communicate their expectations and requirements to the other party. In the case of a repurchase agreement, the funding rate would represent

either a firm or soft parameter as defined by the Silverman system (Column 7, lines 25-30). The user would specify that the rate is a funding rate distinct from an interest rate and a yield rate.

Re Claim 23: Silverman in view of Brown in view of Best and Silverman further discloses the step of identifying a potential counterparty during negotiation, and prior to consummation, of a repurchase agreement (Column 4, lines 10-12). Silverman discloses that the identity of the parties to the transaction is not revealed until just before a deal is struck, which means that this revelation occurs during negotiation.

Re Claim 24: Silverman in view of Brown in view of Best discloses the claimed method but does not explicitly disclose the step wherein the repurchase agreement obligates at least one of a user and a counterparty to performance of an act after closing of the repurchase agreement, and therefore presents a risk of non-performance. It was old and well known though for there to be post agreement actions that the counterparties are required to make in order to fulfill the deal. Therefore, it would have been obvious to anyone of ordinary skill at the time of invention to include this step to the method of Silverman because there are inherently steps performed after the closing of the agreement that represent a risk. First is that each party must honor the agreed upon parameters. Many of these parameters such as future payments or maturity dates happen after the close of the agreement and therefore represent a future risk. Furthermore, Silverman explicitly discloses that many counterparties to transactions have complex credit evaluating processes in place to determine risk associated with the trading partner. This occurs after a deal has been struck however the deal is contingent

on the party gaining approval, and there is therefore a risk of non-performance (Column 2, line 41-Column 3 line 11).

Re Claim 25: Silverman in view of Brown in view of Best discloses the claimed method supra but does not explicitly disclose the step in which the repurchase agreement is structured to permit a first party to effect a collateralized loan from a second party with nominal transfer of ownership of the security from the first party to the second party, wherein the repurchase agreement presents at least one of a risk of default by the first party or second party and a collateral value fluctuation risk, and wherein the communicating with the potential counterparty, through the negotiation communications interface, includes sufficient information to evaluate at least one of the default risk and the collateral value fluctuation risk, and to communicate collateralized loan terms. However these types of exposure and credit evaluations are old and well known in the art, and the system of Silverman provides for this type of complex and non-standardized exposure evaluation procedures (Column 3 line 65- Column 4 line 3) through the negotiation feature of the invention and Silverman further explicitly states the advantage of using such a system involving highly specified trading instruments (Column 13, lines 44-51)." Therefore it would have been obvious to anyone of ordinary skill to include this step to the disclosure of Silverman so that both parties fully communicate their expectations and requirements to the each other, including the any complex parameters.

Re Claim 26: Silverman in view of Brown in view of Best and Silverman further discloses the step of hierarchally sorting the list of offers according to at least one

hierarchal sort criterion (Column 13-27). Silverman discloses that a user can sort and filter potential offers according to ranking and other transaction information. In this way, offers that are distinctly unacceptable are removed from the hierarchy.

Re Claim 27: Silverman in view of Brown in view of Best and Silverman further discloses the step of confirming a repurchase agreement by generating reciprocal trade tickets, for both a sale and a forward purchase transaction (Column 7, line 64-65).

Re Claim 28: Silverman in view of Brown in view of Best discloses the claimed method 14 supra and while not explicitly disclosing the step of assessing a fee to at least one of the user and counterparty to a repurchase agreement based on a value of a transaction, it was well known in the art at the time of invention to charge users of a network site a fee for use of the system. It would have been obvious to someone skilled in the ordinary art at the time of invention to charge a fee for use of the Silverman system. One would be motivated to do so in order to raise capital to keep the site active and also profit from the endeavor.

Re Claim 30: Silverman in view of Brown in view of Best discloses the claimed method supra but does not explicitly disclose the step wherein the record further comprises a right of substitution, margin, and collateral type. However it would have been obvious to anyone of ordinary skill at the time of invention to include this step as these types of things are old and well known common parameters in a trading environment and would therefore be reflected in either the firm or soft parameters defined and negotiated by the users (Column 7, lines 25-30).

Re Claim 31: Silverman in view of Brown in view of Best discloses the claimed method 14 supra and while not explicitly disclosing the step of for at least one of an existing repurchase agreement and a party-counterparty pair, determining a net exposure in respect of one party against the other, and indicating a compensating margin transfer for the net exposure, these types of credit and exposure evaluations are old and well known and furthermore, Silverman does disclose that a benefit of the system is that these types of complex credit evaluation procedures are taken off line, implying that previous systems have in fact done so in an online environment (Column 5, line 8-15). Therefore it would have been obvious to include these steps to the disclosure of Silverman in order to determine the ultimate risk of transacting with a particular counterparty. In addition, the margin transfer is easily incorporated and discovered as a firm or soft parameter in the negotiation phase of the Silverman invention (Column 7, lines 25-30).

Re Claim 32: Silverman in view of Brown in view of Best and Silverman discloses the claimed method supra but does not explicitly disclose the step of calculating a value and a yield of a security. However it would have been obvious to anyone of ordinary skill at the time of invention to include this step as these types of things are old, well known and common parameters in a trading environment and would therefore be reflected in either the firm or soft parameters defined and negotiated by the users (Column 7, lines 25-30). The value (price) and yield of a security represent types of firm parameters disclosed by Silverman and have therefore been calculated in some manner.

Re Claim 33: Silverman in view of Brown in view of Best and Silverman further discloses the step wherein a displayed list of offers initially does not identify a counterparty (Column 4, lines 10-12), further comprising the step of, after receiving from the user potential repurchase agreement terms, identifying at least one during said communicating step (Column 8, lines 42-44).

Re Claim 34: Silverman in view of Brown in view of Best and Silverman further discloses the step of filtering the list of offers with respect to counterparty identification (Column 8, lines 28-31)

Re Claim 35: Silverman in view of Brown in view of Best discloses the claimed method supra but does not explicitly disclose the step of for at least one of an existing repurchase agreement and a party-counterparty pair, determining a net exposure in respect of one party against the other. However, the calculation of a net exposure with regards to a potential financial transaction was an old and well known step in the art at the time of invention and would have been obvious to include to the Silverman disclosure as a way to ensure that one party is not subject to an unbalanced amount of risk in the transaction. It is usually in any particular parties' best interest to limit, as much as possible, their exposure with regards to a particular transaction so that losses can be minimized in the event of a default.

Claim 6 is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Brown in view of Kovlak (Management Accounting. Montvale: May 1986 Vol. 67, Iss.11; pg. 52).

Re Claim 6: Silverman in view of Brown discloses the claimed system supra except for the explicit disclosure wherein the plurality of trading terminals are segregated between dealers and investors. Kovlak teaches that in a repurchase agreement investors and dealers are the two parties involved in this type of transaction. It would therefore have been obvious to someone skilled in the ordinary art for a transaction involving a repurchase agreement, that interaction between a dealer and investor be segregated. Since this is an automated transaction system, the trading terminals must then be segregated between the dealers and investors.

Claim 20 is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Brown in view of Best in view of Chou (U.S. Patent Number 6,035,289).

Silverman in view of Brown in view of Best discloses the claimed system supra except wherein a bid record is compared with an ask record to selectively indicate a difference therebetween. Chou teaches an electronic trading system wherein a method for a bid-ask matching function is disclosed that compares bid records with ask records for trading of financial instruments (column 2, line 39 – column 3, line 16). It would have been obvious for someone skilled in the ordinary art to apply the teachings of Chou to those of Silverman to form the basis for a method wherein the bid record and ask record of a repurchase agreement would be compared to discover any difference therein, and further negotiations could occur as needed.

Claim 29 is rejected under 35 U.S.C. 103(a) as being unpatentable over Silverman in view of Brown in view of Best in view of Lupien et al (hereinafter Lupien US Pat No 6,012,046).

Silverman in view of Brown in view of Best discloses the claimed method supra but does not explicitly disclose the steps of defining a density profile and updating the density profile after a transaction. Lupien discloses a crossing network utilizing satisfaction density profile with price discovery features wherein a user enters orders in the form of a satisfaction density profile (see abstract). It would have been obvious to someone skilled in the ordinary art at the time of invention to include the teachings of Lupien to the disclosure of Silverman to ensure that the overall outcome of the process has maximized the mutual satisfaction of the trader.

Claim 36 is rejected under 35 U.S.C. 103(a) as being unpatentable over Hyam (Tim Hyam. "Repo trading systems let the light in." International Securities Lending. London: Fourth Quarter 1997. pg. 29) in view of Brown in view of Best.

Re Claim 36: Hyam discloses a repurchase agreement exchange method comprising:

- Communicating with a plurality of terminals, each terminal being for at least one of: displaying a list of offers for repurchase agreements of securities (Page 3, Under "Computer Dialog;" The prices for trades displayed to customers are updated in real time;" "First the customer chooses from a menu the type of trade he is interested in.").

- Receiving from at least one terminal an offer for repurchase agreements for securities from a party defining potential repurchase agreement terms, said potential repurchase agreement terms comprising at least identification of collateral, pricing of collateral and repurchase term (Page 3, Under "Computer Dialog;" The prices for trades displayed to customers are updated in real time;" and "After keying in details of his chosen trade, the customer can access a price for the trade.")
- Communicating with a potential counterparty at another user terminal (page 3; "the trading systems are interactive: customers can still negotiate using the system...dialogue occurs through the computer.")

Hyam does not explicitly disclose

- Storing net party-counterpary exposure information representing at least one of a set of party-counterparty outstanding repurchase agreements and an aggregate of party-counterparty outstanding transactions;
- Filtering at a central server a set of offers for repurchase agreements of securities, based on at least identification of collateral, pricing of collateral, repurchase term and a net counterparty exposure of a party for at least one of an existing repurchase agreement and a party-counterparty pair, to product a set of potential transactions
- Wherein the communicating is done without disclosing an identity of the party to the potential counterparty or the identity of the potential

counterparty to the party, at least one member of the set of possible transactions involving the potential counterparty and

- Indicating a potential margin transfer for the net counterparty exposure.

Brown provides a teaching showing that it was known at the time of invention to store and indicate net exposure information to counterparties involved in a repurchase agreement. Furthermore Brown teaches the step of a margin transfer to compensate for this exposure (Page 1, Second paragraph). It would have been obvious to a person of ordinary skill in the art to include the teachings of Brown to the disclosure of Hyam so that the counterparties know the exposure risk associated with the potential transaction and can be compensated appropriately to ensure a fair and equitable transaction.

Best provides a teaching that shows an electronic market for trading repos wherein a central trading system produces potential transactions and gives users full anonymity (See abstract). It would have been obvious to a person of ordinary skill in the art at the time of invention to include the teachings of Best to the disclosure of Hyam so that counterparties can utilize the system anonymously and not reveal their trading intentions and strategies to competitors and their offers can further be matched without any bias toward their identity.

Response to Arguments

Applicant's arguments filed 07/24/2006 have been fully considered but they are not persuasive. New limitations have been added to the claims that the applicant contends are not disclosed by Silverman. Specifically the limitations involving the netting of counterparty credit information along with a compensating margin,

anonymous communication between potential counterparties and the filtering of offers at a central server. The examiner has provided new prior art references that disclose these features, as well as reasoned statements as to why a person of ordinary skill in the art would be motivated to combine these references with Silverman and/or one another.

Conclusion

Applicant's amendment necessitated the new ground(s) of rejection presented in this Office action. Accordingly, **THIS ACTION IS MADE FINAL**. See MPEP § 706.07(a). Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Timothy M. Harbeck whose telephone number is 571-272-8123. The examiner can normally be reached on M-F 8:30-5:00.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on 571-272-6799. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

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